

## Transaction Overview

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### Transaction Rationale

- ◆ Accelerates WATER's expansion into key strategic states
  - Currently leading player in California, Georgia, and, upon completion of RightCHOICE acquisition, Missouri, with selected geographic presence elsewhere (Midwest and Texas)
  - Entry into important geographic region (large population base) through leading player with #1 market share
- ◆ WATER's management team, widely regarded as best in the industry, can enhance growth and profitability of CONGRESS
  - Public-company discipline and access to capital will invigorate CONGRESS management team and its growth opportunities
  - Generate operational synergies
  - Shared Blue Cross Blue Shield background should ease integration
  - Stronger platform from which to continue national geographic expansion
- ◆ Enhances position in marketplace as the "Blue Consolidator of Choice"
  - Recent acquisition of Cerulean (Blue Cross Blue Shield of Georgia) and pending acquisition of RightCHOICE (Blue Cross Blue Shield of Missouri) have given WATER strong track record and momentum as the leading consolidator
- ◆ Transaction Risks
  - CONGRESS' Maryland HMO business has faced financial challenges
  - Integration risk (CONGRESS/Delaware and WATER/CONGRESS)
  - High public visibility
  - Significant regulatory approval process

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## Overview of CONGRESS

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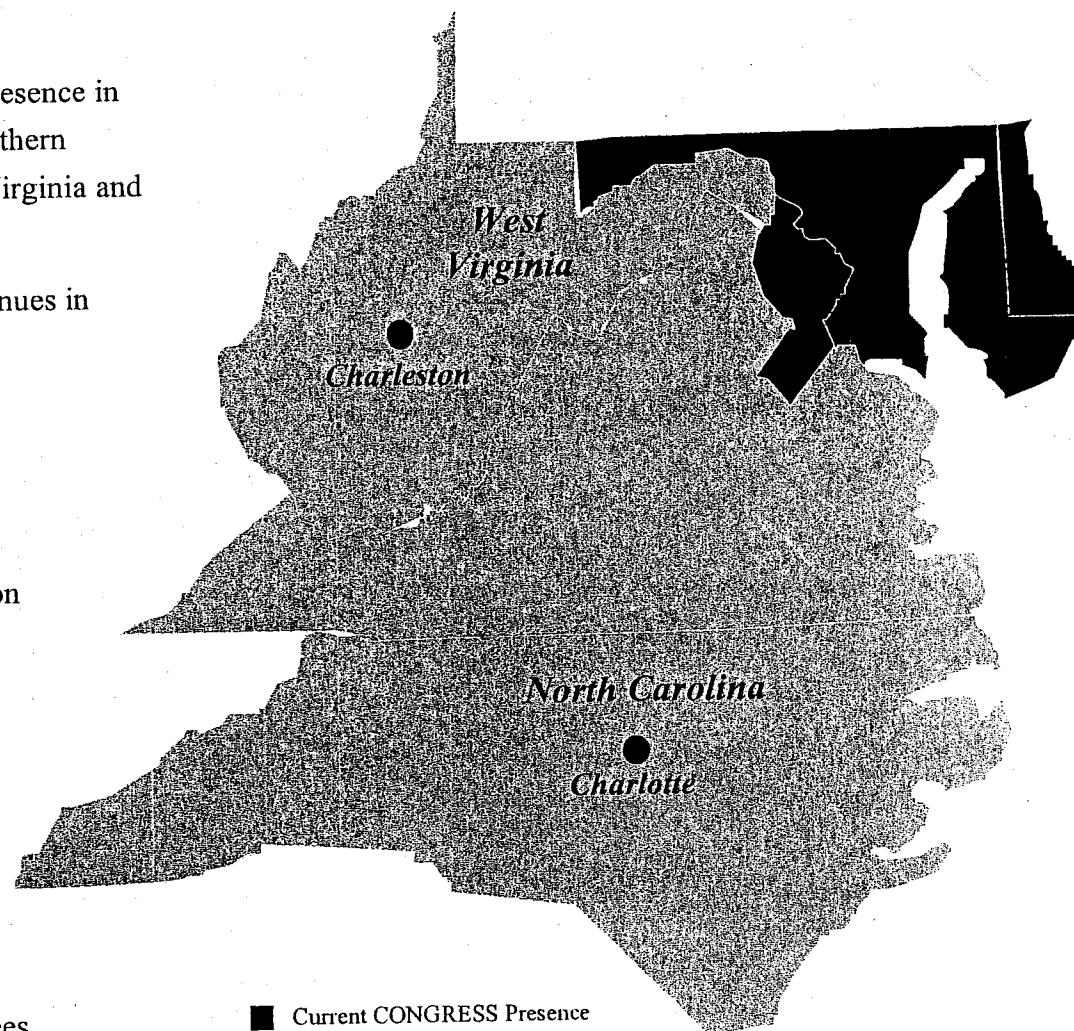
## Overview of CONGRESS

### CONGRESS Business Overview

- ◆ An affiliation of Blue plans with presence in Delaware, D.C., Maryland and Northern Virginia, as well as TPA in West Virginia and North Carolina with:

- \$4.0 billion of operating revenues in 2001E
- 3.1 million members
- 6,300 associates
- Potential market of 7.5 million customers
- #1 provider network in the Mid-Atlantic region
- #1 market position in three licensed service areas
- Largest provider of health insurance to federal employees

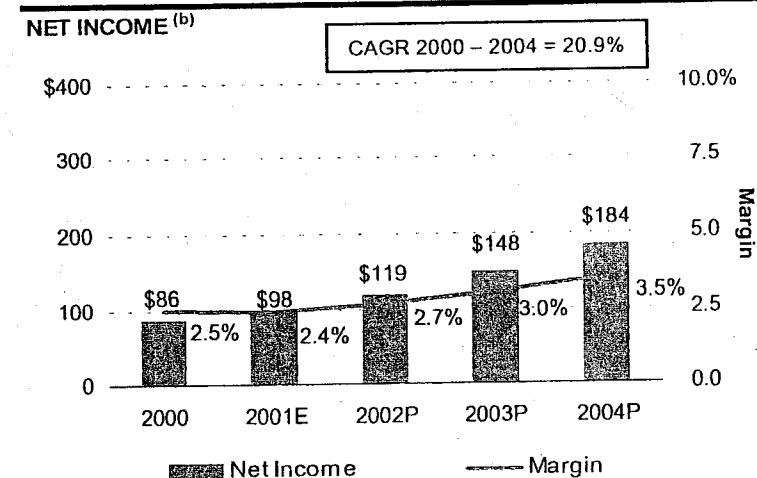
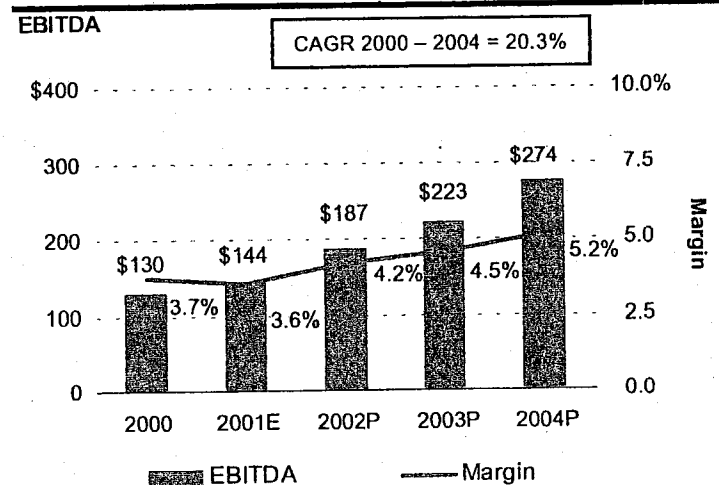
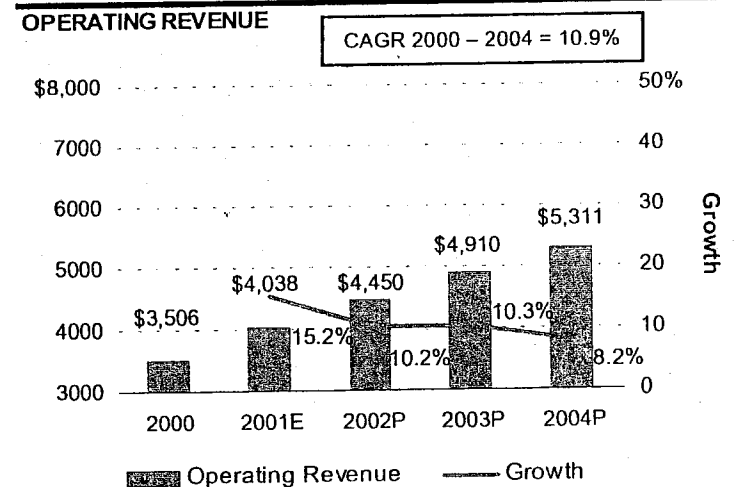
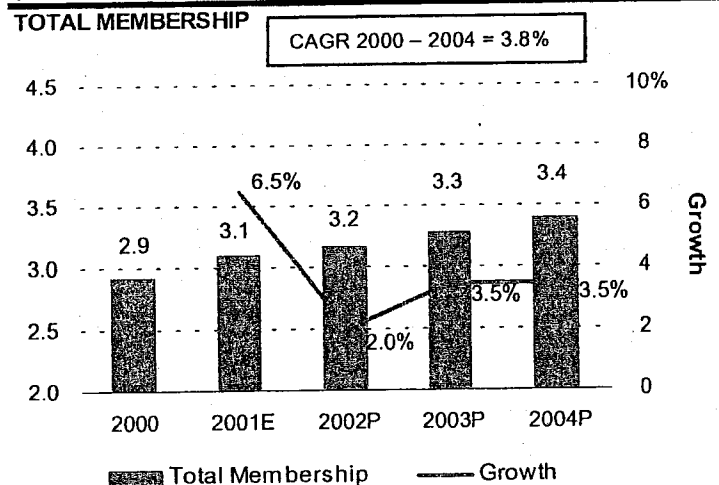
- ◆ Products include HMO, PPO, POS and Indemnity Plans



# Overview of CONGRESS

## CONGRESS' Projected Financial Performance (a)

(\$ and Total Membership in millions)



(a) Membership and financial statistics as per WATER and CONGRESS Managements.  
 (b) Based on tax rate of 20.2%.

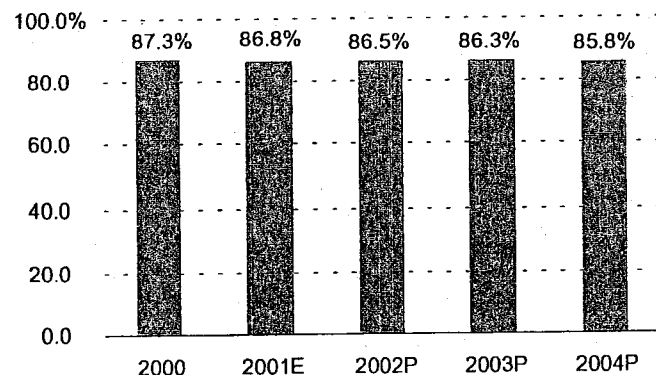
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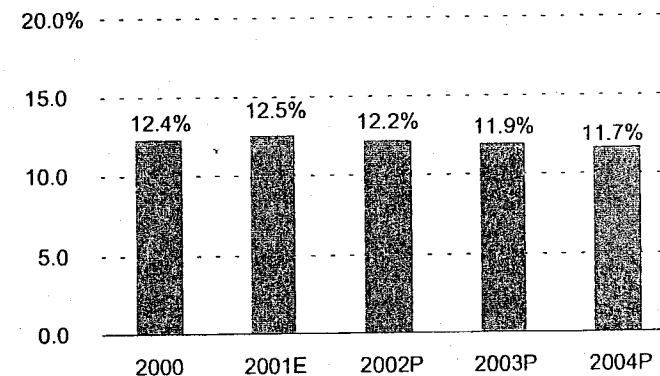
## Overview of CONGRESS

### CONGRESS' Projected Financial Performance (continued) (a)

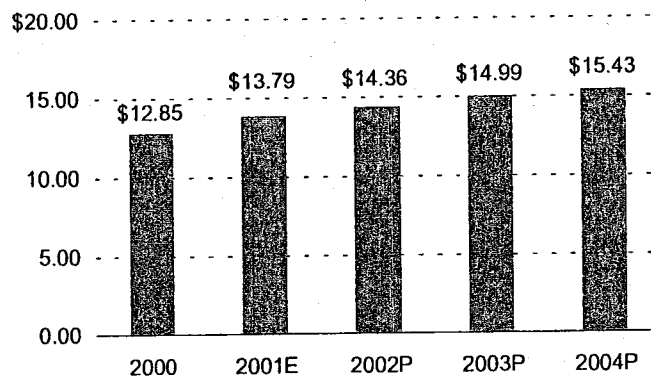
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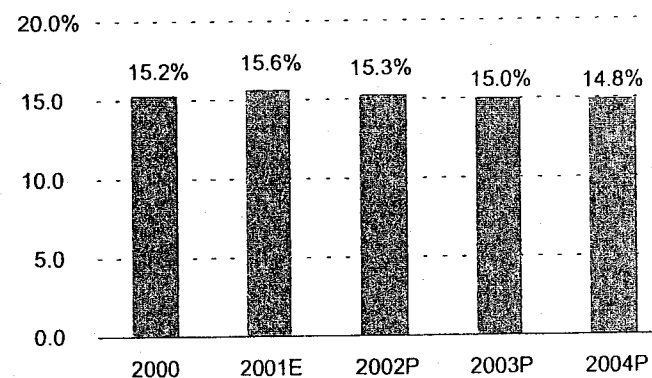
G&amp;A MARGIN



TOTAL G&amp;A PMPM



TOTAL SG&amp;A MARGIN



(a) Financial statistics as per WATER and CONGRESS Managements.

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# Overview of CONGRESS

## CONGRESS' Projected Financial Performance (continued) (a)

(\$ and Total Membership in millions)

	Fiscal Years Ending December 31,							CAGR 2000 - 2006
	2000	2001E	2002P	2003P	2004P	2005P	2006P	
Insured Membership	1.6	1.6	1.6	1.6	1.7	1.7	1.8	2.2%
ASO Membership	1.3	1.5	1.6	1.6	1.7	1.8	1.8	5.4%
Total Membership	2.9	3.1	3.2	3.3	3.4	3.5	3.6	3.7%
Operating Revenue	\$ 3,506.3	\$ 4,038.5	\$ 4,450.1	\$ 4,910.4	\$ 5,310.6	\$ 5,743.4	\$ 6,211.5	10.0%
Growth	—	15.2%	10.2%	10.3%	8.2%	8.2%	8.2%	24.7%
Operating Income	77.2	92.9	129.7	162.0	209.3	248.8	289.9	24.7%
Margin	2.2%	2.3%	2.9%	3.3%	3.9%	4.3%	4.7%	18.5%
EBITDA	130.4	143.7	186.7	222.7	273.5	316.3	361.2	20.2%
Margin	3.7%	3.6%	4.2%	4.5%	5.2%	5.5%	5.8%	20.2%
EBIT	94.8	105.4	141.7	172.7	213.1	244.6	285.2	20.0%
Margin	2.7%	2.6%	3.2%	3.5%	4.0%	4.3%	4.6%	20.0%
Net Income	86.1	98.0	119.2	147.9	183.8	216.1	257.5	20.0%
Margin	2.5%	2.4%	2.7%	3.0%	3.5%	3.8%	4.1%	6.5%
Capital Expenditures	61.3	62.0	65.0	70.0	76.0	82.4	89.4	6.5%

	Balance Sheet as of December 31,						
	2000	2001E	2002P	2003P	2004P	2005P	2006P
Restricted Cash & Inv.	\$ 926.6	\$ 1,006.2	\$ 1,068.2	\$ 1,139.0	\$ 1,196.3	\$ 1,261.1	\$ 1,330.9
Unrestricted Cash & Equiv.	50.0	53.9	116.9	215.1	349.1	517.0	722.3
Total Debt	\$ 18.1	\$ 9.1	\$ -	\$ -	\$ -	\$ -	\$ -
Stockholders' Equity	691.6	780.2	899.5	1,047.4	1,231.2	1,447.3	1,704.7
Book Capitalization	\$ 709.7	\$ 789.3	\$ 899.5	\$ 1,047.4	\$ 1,231.2	\$ 1,447.3	\$ 1,704.7
Total Assets	\$ 1,950.4	\$ 2,138.3	\$ 2,357.6	\$ 2,629.3	\$ 2,918.5	\$ 3,250.3	\$ 3,633.3

(a) Membership and financial statistics as per WATER and CONGRESS Managements.



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## CONGRESS Valuation Considerations

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